

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

Budget Summary							
Fund	2014-15 Base Year Doubled	2015-17 Governor	2015-17 Jt. Finance	2015-17 Legislature	2015-17 Act 55	Act 55 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$65,549,400	\$24,874,700	\$19,449,400	\$19,449,400	\$19,449,400	- \$46,100,000	- 70.3%
SEG	<u>45,552,000</u>	<u>22,776,000</u>	<u>45,552,000</u>	<u>45,552,000</u>	<u>45,552,000</u>	<u>0</u>	<u>0.0</u>
TOTAL	\$111,101,400	\$47,650,700	\$65,001,400	\$65,001,400	\$65,001,400	- \$46,100,000	- 41.5%

FTE Position Summary
As a corporation, there are no state positions for the Wisconsin Economic Development Corporation.

## Budget Change Items

### 1. GPR REDUCTION

GPR	- \$15,800,000
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**Governor/Legislature:** Reduce funding by \$7,900,000 GPR, annually, to the Wisconsin Economic Development Corporation's (WEDC) operations and programs appropriation. WEDC would have to make unspecified cuts to absorb the reduction.

### 2. BROWNFIELD GRANT PROGRAM -- OVERSIGHT

**Governor/Legislature:** Specify that WEDC may award a brownfield grant without first considering DOA's recommendations. Under current law, the brownfields grant program provides financial assistance to eligible recipients for remediating environmental contamination on abandoned, idle, or underutilized industrial or commercial sites. Before WEDC awards a brownfield grant, the Corporation must consider the recommendations of DOA and the Department of Natural Resources (DNR). The Governor's proposal would retain the current law requirement that WEDC must consider DNR's recommendations in awarding a brownfield grant but would no longer require the Corporation to consider DOA's recommendations.

[Act 55 Section: 3977]

### 3. BROWNFIELD GRANT PROGRAM -- MATCHING FUNDS

**Governor/Legislature:** Repeal the current matching requirements for brownfield grants. Instead, require a grant recipient to contribute to the project for which a brownfield grant is awarded an amount equal to at least 50% of the grant amount. Specify that the provision would first apply to grants awarded on the day following publication of the budget bill.

Under current law, for a brownfield grant that is \$300,000 or less, a recipient must contribute at least 20% of the cost of the project in matching funds. For grant amounts of more than \$300,000, but no more than \$700,000, a local match of 35% is required. Grant amounts exceeding \$700,000 must have a local match of 50% of the cost of the project. These matching requirements would no longer apply under the bill. Instead, a grant recipient would have to provide a local match of at least 50% of the grant amount. It should be noted that, under WEDC policy, brownfield grants are generally limited to 30% of eligible project costs (requiring a local match of 70%).

[Act 55 Sections: 3975, 3976, and 9350(1)]

### 4. TAX CREDIT MODIFICATIONS

**Governor/Legislature:** Make a number of modifications to tax credit programs that are administered, in part, by WEDC. Programs affected would include the jobs, economic development, business development, supplement to the federal historic rehabilitation, angel and early stage seed investment, and enterprise zones tax credits, and are described in "General Fund Taxes -- Income and Franchise Taxes."

### 5. MERGE WEDC WITH THE WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	- \$24,874,700	\$24,874,700	\$0
SEG	<u>- 22,776,000</u>	<u>22,776,000</u>	<u>0</u>
Total	- \$47,650,700	\$47,650,700	\$0

**Governor:** Delete \$24,874,700 GPR and \$22,776,000 SEG in 2016-17, merge WEDC with the Wisconsin Housing and Economic Development Authority (WHEDA), and create the Forward Wisconsin Development Authority (FWDA) as an Authority of the state. Specify that WEDC, its Board, and the powers of the Board would cease to exist on January 1, 2016, or on the day after publication of the bill, whichever is later, and that the unencumbered balance in the Corporation's appropriations would transfer to FWDA on that date. Specify that all of WEDC's assets and liabilities, incumbent employees, tangible personal property, pending matters, contracts, and policies and procedures would be transferred to FWDA. WEDC and WHEDA would have to, to the greatest extent practical, seek to coordinate their activities and efforts to

establish and organize FWDA.

**Joint Finance/Legislature:** Delete provision.

## 6. REMOVE GOVERNOR FROM WEDC BOARD

**Joint Finance/Legislature:** Remove the Governor from WEDC's Board of Directors. Specify that the Board's chairperson would be a public member elected by a majority vote of the Board.

[Act 55 Section: 3956c]

## 7. DELEGATE POWERS OR DUTIES OF THE BOARD

**Joint Finance/Legislature:** Authorize WEDC's Board to delegate any power or duty to an employee of the Corporation or to a committee established by the Board.

[Act 55 Section: 3956g]

## 8. UNASSIGNED BALANCE

GPR	- \$12,000,000
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**Joint Finance/Legislature:** Require WEDC's Board of Directors to revise its unassigned balance policy to establish its target unassigned balance on June 30 of each year to be an amount equal to two-twelfths of its estimated annual administrative expenditures for that year. Require WEDC's unassigned balance policy to be consistent with best practices recommended by the Government Finance Officers Association. Require the Board to submit the revised policy to the Joint Committee on Finance (JFC) and the Joint Legislative Audit Committee, no later than October 1, 2015. Reduce funding in WEDC's operations and programs appropriation by \$12,000,000 GPR in 2015-16 to reflect the reduction in the unassigned balance. Place \$11,250,000 GPR of these funds in the JFC supplemental appropriation.

As of March 31, 2015, WEDC projected that its budgeted unassigned balance would be \$15.3 million at the end of 2014-15, which would be carried forward into 2015-16. This provision would require WEDC to set its target unassigned balance at an amount that equates to two months' of administrative expenditures, which would be approximately \$3.5 million in 2014-15, according to the Legislative Audit Bureau's (LAB) May, 2015 audit report. The \$12.0 million funding reduction reflects the approximate difference between WEDC's current unassigned balance projected at the end of 2014-15 and the unassigned balance level recommended by the LAB.

**Veto by Governor [A-1 and D-70]:** Delete \$11,250,000 GPR in 2015-16 that would have been placed in JFC's supplemental appropriation. Funding reductions associated with this veto are described under "Program Supplements."

[Act 55 Sections: 3960g and 9150(5d)]

[Act 55 Vetoed Section: 481 (as it relates to s. 20.865(4)(a))]

**9. TRANSFER GPR FUNDING TO JOINT FINANCE'S GPR SUPPLEMENTAL APPROPRIATION**

GPR	- \$19,800,000
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**Joint Finance/Legislature:** Reduce funding in WEDC's operations and programs appropriation by \$7,400,000 in 2015-16 and by \$12,400,000 in 2016-17. Specify that funding provided for WEDC's economic development fund; programs SEG appropriation can also be used for operations of the Corporation. Place \$6,650,000 in 2015-16 and \$12,400,000 in 2016-17 of these funds in JFC's supplemental appropriation.

**Veto by Governor [A-1 and D-70]:** Delete \$6,650,000 GPR in 2015-16 and \$12,400,000 GPR in 2016-17 that would have been placed in JFC's supplemental appropriation. Funding reductions associated with this veto are shown under "Program Supplements."

[Act 55 Section: 556k]

[Act 55 Vetoed Section: 481 (as it relates to s. 20.865(4)(a))]

**10. ECONOMIC DEVELOPMENT GRANT FOR MIDWEST ENERGY RESEARCH CONSORTIUM**

GPR	\$250,000
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**Joint Finance/Legislature:** Provide \$250,000 in 2015-16 to WEDC for the purpose of making a grant to the Midwest Energy Research Consortium (M-WERC) to be used to support the growth, training, and research and development of private companies in the energy, power, and control sector headquartered in Wisconsin. Require WEDC to develop policies and procedures to determine if a business is headquartered in Wisconsin and eligible for an award from M-WERC. Prohibit M-WERC from expending any of these grant monies after June 30, 2017, or a later date established by WEDC. In addition, specify that any unspent grant monies must be returned to DOA for deposit in the state's general fund. Require that M-WERC be subject to the same reporting requirements that apply to other WEDC grant and loan recipients.

**Veto by Governor [A-2]:** Delete the provision described above. However, retain the \$250,000 increased funding for 2015-16 in WEDC's operations and programs GPR appropriation.

[Act 55 Vetoed Section: 9150(5dc)]

**11. ECONOMIC DEVELOPMENT GRANT FOR PROSPERITY SOUTHWEST WISCONSIN**

GPR	\$250,000
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**Joint Finance/Legislature:** Provide \$250,000 in 2015-16 to WEDC for the purpose of making a grant to Prosperity Southwest Wisconsin for a new revolving loan program in the southwest region of the state to promote regional economic development and entrepreneurial startups.

**Veto by Governor [A-2]:** Delete the provision described above. However, retain the \$250,000 increased funding for 2015-16 in WEDC's operations and programs GPR

appropriation.

[Act 55 Vetoes Section: 9150(5dc)]

**12. ECONOMIC DEVELOPMENT GRANT FOR NORTH-CENTRAL TECHNICAL COLLEGE**

GPR	\$150,000
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**Joint Finance/Legislature:** Provide \$150,000 in 2015-16 to WEDC for the purpose of making a grant to the Northcentral Technical College to be used to purchase commercial stoves, ovens, and other equipment for its Culinary Arts program and business incubator facilities.

**Veto by Governor [A-2]:** Delete the provision described above. However, retain the \$150,000 increased funding for 2015-16 in WEDC's operations and programs GPR appropriation.

[Act 55 Vetoes Section: 9150(5dc)]

**13. ECONOMIC DEVELOPMENT GRANT FOR MARATHON COUNTY ECONOMIC DEVELOPMENT CORPORATION**

GPR	\$100,000
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**Joint Finance/Legislature:** Provide \$100,000 in 2015-16 to WEDC for the purpose of making a grant to the Marathon County Economic Development Corporation to be used for a revolving loan fund to support minority owned businesses in Marathon County. Specify that a business would be considered to be "minority owned" if at least 30% of the business is owned by a person who is a member of a minority group.

**Veto by Governor [A-2]:** Delete the provision described above. However, retain the \$100,000 increased funding for 2015-16 in WEDC's operations and programs GPR appropriation.

[Act 55 Vetoes Section: 9150(5dc)]

**14. ECONOMIC DEVELOPMENT GRANT FOR ST. CROIX VALLEY BUSINESS INCUBATOR**

GPR	\$250,000
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**Joint Finance/Legislature:** Provide \$250,000 in 2015-16 to WEDC for the purpose of making a grant to the River Falls Economic Development Corporation to construct the St. Croix Valley Business Incubator. Specify that WEDC may only award the grant if federal monies are secured to finance construction of the St. Croix Valley Business Incubator.

[Act 55 Section: 3977m]

**15. GRANT PROGRAM FOR FABRICATION LABORATORY**

GPR	\$500,000
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**Joint Finance/Legislature:** Provide \$500,000 in 2015-16 to WEDC for the purpose of

developing and implementing a program to make up to \$500,000 of grants to eligible recipients for purchases of equipment used in fabrication laboratories for instructional and educational purposes by grade school, junior high school, and high school students. Specify that a fabrication laboratory is a medium-scale, high-technology workshop equipped with computer-controlled additive and subtractive manufacturing components, including three-dimensional printers, laser engravers, computer numerical control routers, and plasma cutters.

Specify that awards under the program could be made to eligible applicants, annually, over three grant award years in proportion to the eligible equipment expenditures used in eligible fabrication laboratories in the following manner for each eligible applicant: (a) 75% of eligible expenditures in the first year of the grant award; (b) 50% of eligible expenditures in the second year; and (c) 25% of eligible expenditures in the third year. Prohibit WEDC from making a grant award in excess of \$25,000, annually, per eligible recipient (maximum total grant award over three years of \$75,000 per recipient). Require WEDC to develop policies and procedures to implement the grant program for fabrication laboratories. Specify that grants must be awarded on a competitive basis, annually, based on financial need and without consideration of whether the grant applicant received an award during the previous calendar year. Specify that WEDC could not certify a person as eligible to receive awards under the program after June 30, 2017.

[Act 55 Section: 3979n]

## **16. REDUCE LENDING ACTIVITY**

**Joint Finance/Legislature:** Limit the amount of new loans that WEDC may originate to no more than \$10 million in 2015-16 and no more than \$5 million in 2016-17. Prohibit WEDC from originating a new loan after June 30, 2017. However, specify that this provision would not apply to the technology development loan program as it existed and was administered by the Corporation on January 1, 2015. Permit WEDC to originate new loans of up to \$3 million from non-federal sources, annually, under the technology development loan program, and specify that no annual limit would apply to loans funded from federal revenues.

[Act 55 Section: 3971r]

## **17. FREIGHT OPTIMIZATION MODELING CONSULTANT SERVICES**

**Joint Finance/Legislature:** Specify that the Department of Transportation and WEDC must submit a report to the Joint Committee on Finance prior to June 30, 2016, analyzing possible applications of freight optimization modeling for economic development and transportation infrastructure prioritization purposes in the state. Details regarding this provision are described under "Transportation -- Departmentwide."

**Veto by Governor [D-70]:** Delete provision.

[Act 55 Vetoed Sections: 655e, 2547d, and 9145(4f)]